

Memorandum to the Commissioner

Applicant: The Children's Medical Center Corporation

300 Longwood Ave
Boston, MA 02115

Project Number: BCH-21072306-CH

Filing Date: September 23, 2021

Introduction

This memorandum presents, for Commissioner review and action, the Determination of Need Program's recommendation regarding a request by The Children's Medical Center Corporation (d/b/a/ Boston Children's Hospital) for approval of renovations of inpatient, outpatient, research, and administrative spaces located in Boston's main campus (Longwood), as well as surgical and outpatient spaces in its satellite locations in Lexington and Waltham. The maximum capital expenditure for this Project is \$26,252,500 and the CHI commitment is \$656,312.50. The Applicant is a non-profit charitable corporation organized under the existing law of the Commonwealth of Massachusetts.

This Application is presented as a Conservation Project, which means "Construction that consists solely of a project(s) that would Sustain or Restore a Health Care Facility or service for its designated purposes, and to its original functionality, without Modernization, Addition, or Expansion."¹ Pursuant to 105 CMR 100.210(B)(2), Factors 1, 2, and 5 do not apply to Conservation Projects. Therefore, Staff reviewed this proposal in the context of Factors 3- Compliance, 4- Financial Feasibility, and 6- Community Health Initiatives. Pursuant to 105 CMR 100.630, this Application has been delegated by the Department for review and Final Action by the Commissioner.

Background

As a specialty Academic Medical Center, in addition to providing quaternary pediatric clinical care and community service, Children's engages in training and research at multiple sites through ownership and

¹ For the purposes of Conservation Project, the following words shall mean:

(1) Sustain. The maintenance and repair activities necessary to keep a Health Care Facility or service in good working order. It includes regularly scheduled adjustments and inspections, preventive maintenance tasks, and emergency response and service calls for minor repairs. It also includes major repairs or replacement of facility components that are expected to occur periodically throughout the life cycle of said Health Care Facility or service. This work includes, but is not limited to, regular roof replacement, refinishing of wall surfaces, repairing and replacement of heating and cooling systems, replacing tile and carpeting, and similar types of work. It does not include environmental compliance costs, facility leases, or other tasks associated with facilities operations, such as custodial services, grounds services, waste disposal, and the provision of central utilities.

(2) Restore. To return a Health Care Facility or service to such a condition that it may be used for its designated purpose or to, but not beyond, the Health Care Facility or service's original functionality. This may include coming into compliance with all applicable federal, state, and local licensure, safety, and building requirements including nationally recognized Health Care facility construction guidelines and accreditation standards, such as those issued by the Facility Guidelines Institute, the American Institute of Architects, or the Joint Commission.

(3) Modernization. The alteration, Addition, Expansion, or replacement of all, or part, of a Health Care Facility or service to accommodate new or increased functionality, or to replace components of a Health Care Facility or service beyond that necessary to Sustain or Restore said facility or service.

clinical affiliations throughout Massachusetts. The three facilities that the proposed project comprises are all part of the Children's Hospital license and are described separately herein.

The main campus, Boston Children's Hospital, is a 415-bed facility located in Downtown Boston's Longwood Medical Area operating at 80.6% occupancy rate and is responsible for 22,500 discharges and 378,00 outpatient visits annually.² This site includes inpatient, outpatient, research, and administrative spaces as well.

The Applicant also provided information about its satellite sites in Waltham and Lexington. The Waltham campus consists of six operating rooms and outpatient specialty services and is responsible for 1,030 discharges and 135,000 outpatient visits annually. The Lexington campus consists of outpatient specialty services which is responsible for 24,900 outpatient visits annually.

The Proposed Project

The purpose of this Proposed Project is to keep licensed hospital space in "good working order". Key components include 1) pharmacy, 2) radiology, 3) reverse osmosis water filtration system, and 4) building restoration. The cumulative costs across all components are \$25,252,500. Applicant has allotted an additional \$1M for contingency expenditures which is customary for renovation and construction projects.

Pharmacy

The Applicant states that the proposed updates to the pharmacy department at the Longwood campus will consist of a multi-year renovation (to restore or modernize) to ensure compliance with 247 CMR 17, USP 797, and USP800 requirement.² Details of the Project include placing hazardous medications in a separate area from non-hazardous medication and placement of sterile and non-sterile medication in room air in an appropriately ventilated area.

The Applicant previously received approval for a pharmacy restoration project in 2020 (DoN 2004039-CL). Key components of this previous project include: (1) Bringing the compound pharmacy operations into compliance with substantial recent regulatory changes at three locations on the Longwood Campus in Boston (2) Renovating designated areas, including the emergency department at the Longwood Campus, the radiology department at Longwood Campus and Waltham, and other areas across the three sites. The Applicant asserts its need for additional funds for two reasons: 1) COVID-19's contribution to the delay in renovation work, which in turn led to increased costs and 2) the need for further understanding of proposed regulations for sterile compounding for the pharmacy used for oncology therapies. With the approval of the DoN application last year, the Applicant states two-thirds of the Main 6 renovation is complete. Renovations for pharmacies in Farley 4 and Mandell 7 are scheduled to start after Main 6 pharmacy renovations are complete.

² USP-NF includes over 5000 quality standards for medicines, both chemical and biologic; active pharmaceutical ingredients (APIs); and excipients (inactive ingredients). The standards in USP-NF are used to help ensure the quality of medicines and their ingredients, and to protect the safety of patients. USP is utilized in over 140 countries worldwide and integrated into the laws of more than 40 countries

The Applicant reports that the continued renovation will bring the hospital into compliance with the new standards and compliance will be verified by Plan Review within Bureau of Health Care Safety and Quality (BHCSQ).

The Applicant asserts that costs associated with HVAC reconstruction in an area with an adjacent inpatient unit, expansion of space of 1,200 square, and COVID-19 related requirements require a capital of \$3,865,000, which is in addition to the capital expenditure from the Applicant's 2020 DoN-approved project.

Radiology

The Applicant has an ongoing multiyear operational, facility, and financial plan to renovate current radiology suites in Longwood and Waltham campuses. The goal of this component of the Proposed Project is to renew its current imaging services, which has reached the end of its useful life capabilities, while allowing continuous delivery of care. Costs attributed to the radiology renovations is \$1,582,000. The cost of the proposed renovations covers architectural and design fees to evaluate renewal opportunities for ultrasound, general radiology, interventional radiology and overall waiting room space. Any renovation associated with DoN Required Equipment that are not related to a one-to-one replacement will be submitted separately.

Reverse Osmosis Water Filtration

The Applicant asserts its need to make minor renovations to the water filtration system that supports sterilization of scopes and estimates the cost at \$2,062,500. This portion of the Application is applicable to only the Boston main campus.

Building restoration

The purpose of this component of the Proposed Project is to maintain the usefulness of the building and ensure compliance with updated building regulations.

The Applicant states an evaluation process is undertaken every two years to determine its "condition index" as defined by the U.S. Department of Commerce. The "facility condition index" is calculated by dividing the total estimated cost of maintenance, repair and replacement deficiencies of the facility, by the current replacement value of the facility.³ The biannual evaluation of the Hospital's buildings produces priority recommendations to guide projects that require immediate action.

After evaluation, the Applicant reports that the costs associated with renovations total \$17,313,000 to cover replacement and upgrades to elevators, roofs, façade, windows, utilities, transformers, air handlers, nurse call and facility automation systems. Out of this total figure, \$3,349,000 will be used for replacements, upgrades, or code compliance enhancements to building automatic door, electrical, water, insulation, and gas systems. This portion of the Application is applicable to all three campuses.

Analysis

The Applicant has presented sufficient information to support the position that the proposed construction fits within the definitions in the DoN Regulation of Conservation; that this proposed Conservation Project is necessary to maintain the original functionality of the facility, and does not add any new beds, services,

³ THE VALUE OF FACILITY CONDITION INDEX (FCI) IN HEALTHCARE. Mar 01, 2016. Website: <https://www.accruent.com/resources/blog-posts/value-facility-condition-index-fci-healthcare>

or capacity; and that because of these repairs and replacements, the building will be more efficient, leading to lower utility and maintenance costs.

Factor 3

The Applicant has certified that it is in compliance and in good standing with federal, state, and local laws and regulations, including, but not limited to M.G.L. c. 30, §§ 61 through 62H and the applicable regulations thereunder, and in compliance with all previously issued notices of Determination of Need and the terms and conditions attached therein.

Factor 4

Under factor 4, the Applicant must demonstrate that it has sufficient funds available for capital and operating costs necessary to support the Proposed Project without negative effects or consequences to the existing Patient Panel. Documentation sufficient to make such finding must be supported by an analysis conducted by an independent CPA. The Applicant submitted an analysis of Children's performed by BDO. As a result of information provided by the Applicant, staff finds the Applicant has reasonably met the standards of Factor 4.

Factor 6

The Community Health Initiative (CHI) component of the DoN regulation requires Hospital Facilities doing a Conservation project to contribute 3% of the total value of the project. For this proposed Conservation Project, the CHI contribution is \$656,312.50. Payment may be made in full at the time of project approval or in two equal installments with the first payment due at the time of receipt of a duly approved Notice of Determination of Need (or upon receipt of a payment letter from DPH), and the second, on the first anniversary of the Notice. The Applicant has chosen the option to pay in two equal installments.

Given that this is a Conservation project and given that DPH has determined that the Applicant has complied with all DPH guidance and CHI related requirements for the previously approved project #4-3C47 which the Applicant is currently implementing, for this application the Applicant was required to:

- Submit the CHI Self-Assessment form based on the Applicant's 2018 and 2019 Community Health Needs Assessment and Implementation Strategy.
- Commit to convening the Applicant's Community Advisory Board to determine how to invest the new CHI resources required as part of this Application by using the funding strategy approved under project #4-3C47 as the basis for decision-making.

The Self-Assessment form was required to confirm that the Applicant has engaged in a process of routine community health needs assessment and community health planning sufficient to allow the Applicant to move forward with plans to invest these new CHI resources in the Special Initiatives Funding stream approved under #4-3C47. The Special Initiatives Funding stream was designed to allow for timely targeted investments in critical community health issues which are outside of the other approved funding areas.⁴ The applicant reviews investments made through the Special Initiatives Funding stream with DPH to ensure consistency with prior approvals.

⁴ which are Children's behavioral/mental health; stable and affordable housing; systems of support for infants, children, youth and families; healthy and safe communities

At the September 15th, 2020 Community Advisory Board (CAB) meeting, the Applicant discussed the CHI requirement and the CAB proposed focusing efforts in two areas: Family Housing Stability and School-age Children Remote Learning. These priorities will complement existing DoN strategic initiatives being implemented through previously approved DoN Application #4-3C47.

Based on the Applicant's compliance with the above requirement, the Applicant meets the terms of Factor 6.

Overall Findings

Based upon a review of the materials submitted, the Department finds that the Proposed Project at the Boston Children's Hospital and its satellite locations in Waltham and Lexington complies with the requirements for a Conservation Project and has met applicable DoN factors 3, 4, and 6 as required in the regulation 105 CMR 100.210(B)(2). As a result, this Application for \$26,252,500 in capital expenditures for a Conservation Project at the Boston Children Hospital and satellite locations in Waltham and Lexington is approval, subject to all Standard Conditions as provided in the Regulations, and the Additional Conditions specified below. All standard conditions apply except 100.310(A)(10).

Additional Conditions

1. Of the total required CHI contribution of \$656,312.50
 - a. \$164,078.12 will be directed to the CHI Statewide Initiative
 - b. \$492,234.38 will be dedicated to local approaches to the DoN Health Priorities
2. To comply with the Holder's obligation to contribute to the Statewide CHI Initiative, the Holder must submit a check for \$164,078.12 to Health Resources in Action (the fiscal agent for the CHI Statewide Initiative).
 - a. The Holder must submit the funds to HRiA within 30 days from the date of the Notice of Approval.
 - b. The Holder must promptly notify DPH (CHI contact staff) when the payment has been made.